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**SYNTHESIS REPORT**  
**Research in support of the Policy and Research Agenda**

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## **Abstract**

This report constitutes a synthesis of the findings and recommendations from the research papers commissioned by the National Department of Housing to support the formulation of a research and policy agenda for the next generation. It begins by reviewing the appropriateness of current policy and institutions. Two perspectives are offered, the first with reference to outcomes and impacts and the second through a human rights lens. Then the report reflects on the contemporary context in relation to the changing nature of housing demand, the role of the private sector in housing delivery and international shifts in shelter and settlement policy. Finally the report identifies issues for the research and policy agenda that the research process has indicated. It also poses some preliminary questions to assist in framing the policy and research agenda from a normative perspective. The report categorises issues for the research agenda as statistics and data verification; monitoring, evaluation and impact assessment; knowledge generation; and pre-policy investigations. Additional programmes; re-thinking the scope and nature of the policy; co-ordination, alignment and integration; capacity building; and access to information and public engagement are the key issues for the policy agenda.

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## Background

The Department of Housing wishes to prepare a policy and research agenda as a statement of strategic policy direction to be released for public discussion. The agenda is intended to provide the basis for dialogue amongst key public, private, and community-based stakeholders in the South African housing sector and for suggesting the direction that the Department should take during the next ten years. Leading up to this framing of a policy and research agenda has been a process of wide consultation, including a USAID-assisted series of 14 workshops with the Provincial departments of housing, local authorities, and non-government organisations. The results of the consultation were further developed in a logical framework process, which structured and prioritised the range of issues raised during the consultation process into areas requiring action and monitoring by the Department. A national housing summit was held on the 19<sup>th</sup> and 20<sup>th</sup> November 2003 to allow for further interest group consultations. At the same time as the consultation process took place, a set of reviews were commissioned, including the People's Housing Process and programmes of the Social Housing Foundation. The Human Settlement Redevelopment Programme is to be reviewed shortly.

The development of the proposed policy and research agenda is a further step in this process, taking the strengths and weaknesses of housing policy identified during the workshop consultations, housing summit and other research processes, and laying out a comprehensive way forward. The broad objectives of preparing a policy and research agenda are to:

- Document and motivate new policy and research directions by the Department;
- Develop a rigorous foundational argument based on current local and international housing debates to support current and future shifts in housing policy directions and its mechanisms;
- Contain this in a single document released by the Department for discussion and negotiation;
- Use this document to invite comment on new directions in housing practice and implementation;
- Encourage alignment of the activities of the many organisations active in the housing sector by releasing this agenda which outlines how the Department is intending to fulfil its housing mandate; and
- Seek agreement on this direction from stakeholders and as a fair reflection of the issues raised during the consultation process.

The original seven strategies of the White Paper are still relevant to the agenda:

- Stabilizing the housing environment
- Supporting the housing process
- Mobilizing housing credit
- Providing subsidy assistance
- Institutional arrangements
- Rapid land and service delivery and

- Coordinated development.

However new directions in housing policy place emphasis on urban renewal, integrated land development, development in rural nodes, medium density housing, rental housing, social housing, emergency housing, informal settlement upgrading, the people's housing process, promotion of marginalized women in construction and the needs of vulnerable categories of people, and savings-linked subsidies (based on Housing Department Budget Vote Speech, released 19/05/2003).

In addition, there is added emphasis on a number of strategic concerns that are expected to inform the agenda:

- Maximising the value of *housing as an asset* to the resident household (as a usable support for a sustainable livelihood and as a bankable or saleable asset) and to local government (as a component of a well performing city or town with a strong rates base), and improving its value with the financial and other sectors (linked to stimulating the emergence of a secondary housing market);
- Promoting development which is *demand-defined* (by households according to their needs, and through local government-based processes such as the Integrated Development Planning process) and is *supply-negotiated* with housing suppliers once the nature of the demand has been established through an empowering and participative process which results in well located, quality housing environments;
- Building human settlements which go beyond the production of houses and ensure the *integrated delivery* of a wide range of social and economic amenities and infrastructure that ensure a supportive context for sustainable livelihoods and a strong civil society; and
- Improved *resource management* in which viable partnerships are established between local government, communities (sometimes through mediating organisations), and the private sector in which risks and resources are more evenly spread and mechanisms are developed to mobilise and distribute resources efficiently and equitably.

The Department commissioned a series of thematic source papers, with USAID assistance, to enhance the process of formalising a policy and research agenda and motivate the direction to be taken in the future. The Department's objectives for the source papers were to:

- Review relevant information and source new data so as to set out an empirical basis for the way ahead;
- Validate the consultation and log-framing processes by testing the issues raised and priorities developed against contemporary positions in specific topic areas;
- Align existing and new policy elements in a coherent manner so that a comprehensive agenda can be framed; and

- Provide clear recommendations based on an empirically sound argument to inform the policy and research agenda.

These source papers, or elements, which were commissioned from various outside consultants between August and October of 2003, are as follows:

**Element One:** review of the Housing Department's programme, policies, and practice (1994-2003) – by Sarah Charlton, Melinda Silverman and Stephen Berrisford.

**Element Two:** international shifts in shelter and settlement policy and their implications for South African praxis – by Stephen Berrisford assisted by Michael Kihato and Neil Klug.

**Element Three:** unpacking the changing nature of South African housing and shelter demand in response to social, economic, demographic, spatial, and environmental trends and pressures by Richard Tomlinson with the assistance of Gemey Abrahams and Burgit Geldenhuis.

**Element Four:** private sector engagement with the housing programme in the past, present, and future – by Shisaka.

**Element Five:** expanding socio-economic rights and deepening access to housing in South Africa – by the Urban Sector Network.

## 1 Purpose

The source reports are the basis of this synthesis document. The purpose of the synthesis is to:

- Provide a stand-alone document for the Department to use in the policy and research agenda development process, which communicates the findings of the source / element report research process; and
- Describe key issues and priorities for inclusion into the policy and research agenda (PRA).

In addition to this synthesis report, there is an Executive Summary of all the source reports as well as a “referencing report” which referenced the findings and the recommendations to the SMM report and Logframe and commented on them in relation to the new policy directions. As well as being a device for synthesising the five element reports in order to reach the key issues and priorities for the PRA, the referencing activity also supports two objectives of the source papers which were to:

- Validate the consultation and log framing processes by testing the issues raised and priorities developed against contemporary positions in specific topic areas; and

- Align existing and new policy elements in a coherent manner so that a comprehensive agenda can be framed.

A summary of the source reports' findings and recommendations is also available.

The synthesis report has three sections. In the first the analysis and findings of elements 1 and 5 are synthesised to review the appropriateness of current policy and institutions. The research offers two perspectives, the first with reference to outcomes and impacts (element 1) and the second through a human rights lens (element 5). The second section of the synthesis report reflects on, and aimed to redefine, the contemporary context using the analysis and findings of elements 2, 3 and 4. The research provides insight into the contemporary context in relation to the changing nature of housing demand (element 3), the role of the private sector in housing delivery (element 4) and international shifts in shelter and settlement policy (element 2). The third and final section of the report identifies issues for the research and policy agenda that the research process has indicated.



## 2 Review of current policy and institutions

### 2.1 Background

Since 1994, housing policy and practice has evolved steadily through large-scale delivery, the development of a coherent legislative and regulatory framework, and extensive institutional and capacity building. The achievements of the government include the construction of almost 1.5 million units by the end of the 2002/03 financial year and the provision of secure tenure, basic services, and shelter to over 6 million people in both urban and rural areas. In addition, the bulk of the expenditure (estimated at R24 billion since 1994) has been directed at the poorest segment - below R1500 income bracket - of the population. But the Department has also registered significant gaps and challenges. These relate to limited integrated development, poor quality living environments, beneficiaries not “perceiving” housing as an asset, limited participation of the financial sector and under-spending of provincial housing budgets, among others. To address these problems, the Department has since 2000 begun elaborating an approach that builds on the White Paper’s seven strategies but has reaffirmed its commitment to Sustainable Human Settlement Development. Over and above renewing its commitment to people-centred development, recent innovations include significant re-orientation of some existing programmatic components. These include measures to address the needs of the most vulnerable groups and steady movement away from a supply-driven regime to demand defined and supply-negotiated strategy.

In addition, significant challenges for the state have been raised by recent Constitutional Court rulings and the findings of the Human Rights Commission (Fourth Economic and Social Rights Report) and an increasingly assertive and active citizenry routinely challenges the state through formal and informal channels. The Human Rights Commission remarks that ‘despite the landmark decision of the Constitutional Court in *Grootboom* ... millions of people are still living in peril, and the programme adopted is not comprehensive as it neglects significant members of society’. To this end the research reviewed the performance of the housing programme against the key components of a rights based approach.

The research was intended to provide a rigorous, comprehensive and empirically grounded review of the government’s housing programme and policies, with specific reference to the outcomes and impacts. In addition, the department’s intention was to review the current legislative framework, in light of the position developed on human rights, for its ability to address Constitutional requirements. The research reviewed both the legal and policy framework to identify areas of non-performance and current shortfalls from a human rights perspective.

## 2.2 Outcomes and impacts

The research reviewed the government's housing programme and policies in the light of both the *intended* and *actual* outcomes of the housing programme. It viewed the issue, and the 'problem', both from *within* and *outside* the state's housing programme, and it engaged with issues pertaining to both *new delivery* as well as *existing settlements*. The research found that the Department's focus on "sustainable human settlements" is entirely appropriate as a *broad concept* and it analysed the *outcome or impact* of issues from three perspectives namely, the people, the city and the nation. It also considered institutional issues in its review of the housing programme.

### 2.2.1 Performance from the perspective of the people

The overall intended outcome of the housing programme can be broadly stated as an improvement in peoples' lives.

The actual outcomes can be summarised as follows. For those who have received government assistance, a subsidized house has generally improved their lives from a basic needs point of view - shelter, services, security of tenure - although it has often not provided a platform for further improvement or development. Many people, however, continue to access housing without any state assistance, largely through informal means.

The persistence of **informality** or the provision of accommodation outside of the formal housing programme demands a response. Many of the poor are finding an affordable form of accommodation in these dwellings.

The extensive phenomenon of informal delivery also questions the housing **backlog** statistics, which are currently estimated to be just over 2 million. By the Housing Department discounting all shelters not meeting minimum standards, there has been a tendency to exaggerate shortages. A focus on backlog of housing units tends to lead to an inappropriate focus on delivery of new units, as has been the emphasis in the past. An alternative conception - of the range of needs that should be addressed - allows a much wider set of responses, such as delivery of water.

The idea of security of **tenure** needs to go beyond a narrow conceptualisation of either home ownership or rental through social housing. In addition, the system of management of tenure rights must be reviewed. To date an engagement with the idea of rental, and mobility, by the National Department of Housing seems to have narrowed to a focus on social housing. This appears to have an inappropriate over-emphasis, given its limited ability to contribute to housing the poor, the complexities associated with its management, and the competitive alternatives offered by a range of private sector rental options.

**Income generation** and survival strategies for the poor are of critical importance and require urgent engagement with these issues. The notion of supporting income generation is broadly supported in the consultation documents. However, the broad concern of income generation does not appear to follow through as an explicit and substantial area of focus in its own right. This review has attempted to highlight the extent of poverty as a major concern and the need for the role of housing in income generation to be seen as a primary focus of the programme.

Water and sanitation provision has a great impact on peoples' lives. This should be a key focus of delivery, conceptualised not just in terms of greenfields housing delivery but also in terms of a range of other applications. However, **basic services** do not appear to be a major focus area in the consultation documents. A more explicit focus on the provision of water and sanitation will have beneficial impacts on the lives of vulnerable groups such as women and those dealing with HIV/ AIDS.

The notion of **a focus on quality** needs to distinguish top structure quality from settlement or neighbourhood quality. Much appears to be riding on the People's Housing Process as the solution to top structure quality problems, but quality concerns cannot all be resolved by the PHP. In addition, a focus on the quality of top structure should not detract from the major concerns with the underlying project issues such as location and integrated development.

Concerns with the location of projects and the lack of holistic neighbourhoods require a deeper understanding of the impacts of peripheral development with respect to the issue of housing 'duplication' and what this might mean for considerations of 'the backlog'. In addition, given the pattern of delivery to date, an engagement with improving the quality of existing settlements, both apartheid and post-apartheid, is imperative.

### **2.2.2 Performance from the perspective of the city**

The intended outcome for urban areas is that the housing programme should contribute to a more efficient urban form and improve the rates base.

In reality the impacts of housing delivery have been generally negative. In many instances housing projects represent a financial burden to municipalities, contribute to fragmented, inefficient urban form, and consist of mono-functional neighbourhoods, which are not conducive to future investment. One positive outcome at the scale of the city has been the demonstration of delivery of housing to constituencies.

The **financial and maintenance** burden on municipalities caused by the delivery of housing projects is of major concern. Capital expenditure on housing delivery to date has translated into severe operating expenses for both local authorities and end users. It is not clear what strategies are being considered by the Department of Housing to assist in addressing this.

There are two critical issues related to **locality**. The first is the accessing 'well-located land' for future development. The complexities of this issue go far beyond land price and include dealing matters such as NIMBY and the lack of political will. The second is how to make 'places of opportunity' both in areas of future delivery, and in the settlements inherited and created to date. This complex issue raises the paradox of both needing to restructure the city and make the existing pattern of development work.

The issue of **integrated development** is ongoing in the debate about the housing programme. Although identified as a 'focus area' by the Department of Housing, explicit strategies in this regard are hard to find. Much of the Department of Housing's strategy around integrated development seems to be resting on the passive assumption that Integrated Development Planning at municipal level will result in integrated, holistic areas. Crucially, therefore, a goal set by the Department is linked to a strategy outside of the Department of Housing's direct control. A recent review of the IDP process highlights a range of weaknesses that need to be addressed, as well as critical factors for the success of future IDPs. In addition, it must be noted that a major weakness in relying on integrated development planning lies in the fact that many projects have such low gross residential densities that they are unlikely to have sufficient population thresholds to support a range of amenities.

Integrated development also needs to be conceptualised both in new housing delivery areas (future RDP projects) and in areas of delivery in the recent and more distant past (both RDP projects and past former townships), in order to create the places of opportunity referred to above.

### 2.2.3 Performance from the perspective of the nation

The overall intended outcome for the nation as a whole is to 'deepen citizenship', through new communities of home-owners. Amongst the implicit and explicit goals of the housing subsidy programme is poverty alleviation.

A positive outcome of the housing programme has been the unprecedented delivery of housing at scale throughout the country, although indications are that the rate of delivery has been declining. The notions of deepening citizenship and ensuring the property asset has an exchange and a use value have not been adequately realised. In addition, the assumption that housing delivery contributes to reducing backlogs is undermined by the evident need for temporary rental accommodation near job opportunities.

The sheer scale of **delivery** has been hailed as a key success of the programme. This may not persist into the future due to the apparent slow-down in delivery. The slow-down in pace is not necessarily undesirable *if* it leads to the

development of more sustainable settlements in a more considered way. The slow-down and under-spending of budgets is, however, a problem under the current conceptualisation of 'success', as measured by and large by the delivery of new units, and by expenditure which is directly linked to this delivery. It is not clear that this tension and inherent contradiction has in any way been addressed by the Department of Housing's new focus areas.

The contribution of delivery to the reduction of the backlog needs to be rethought in the light of the potential duplication of accommodation for reasons of commuting or migration.

## 2.2.4 Institutional perspectives on performance

A key issue for the Department of Housing is whether the current pattern of under-spending and the decreased rate of delivery are caused by institutional issues. The review proposed that a shift in emphasis from 'quantity' to 'quality' must *necessarily* lead to a dip in the delivery figures, if broadly interpreted to refer to improvements to both top structure quality and settlement quality. Nevertheless, under-spending and a reduction in delivery rates is a major concern for the Department of Housing.

The 'original' model for housing delivery sustained delivery at scale for a number of years. It relied heavily on the private sector. This model was altered with the introduction of an explicit role for local government in housing development. It appears that this 'new procurement regime' has curtailed what little role the large developers were still playing in the housing programme at the time of the regime's introduction.

This shift needs to be viewed in light of the fact that local government does not hold any direct constitutional powers or functions in relation to housing. Local government is now mandated to perform a role for which it is ill-equipped. The reasons for shifting responsibility to municipalities are motivated by sound reasoning, in particular aiming to address the problem of housing projects being situated on poorly located land and without cognisance of municipalities' development plans. These objectives should not be compromised in dealing with the institutional problem.

Currently **statistics** figures purporting to reflect what money has been spent by which sphere of government on which sort of housing, and how many housing opportunities of each type are created annually, are widely held to be inaccurate or not reflective of 'real delivery on the ground'. Reliable statistics are essential both as a means of independently verifying the nature and extent of housing delivery, and as an input, used by stakeholders in planning and budgeting for their support programmes.

The **new procurement regime** looks good on paper. Indeed, on paper, it addresses a number of the key problems identified during the first years of the

Housing Programme's implementation. In practice however it has been problematic.

Presently **local government** is taking considerable strain in the housing programme. Neither diverting the little capacity that already exists into capacity-building programmes, nor allocating more funds to municipalities will help local government's ability to deliver.

Dire poverty undermines engagement by households in the systems supporting notions of **citizenship**. It is clear that the delivery of housing needs to be actively linked to income generating opportunities in a variety of ways, with more urgency than seems to currently be the case.

### ***2.3 Performance from a human rights perspective***

In the context of a healthy civil society, the Department will continue to be challenged by the rulings of the Constitutional Court, thus underscoring the importance of the Department reaching a developed position based on a full understanding of its duties and responsibilities and to revise its policy, programmes, and practice accordingly. To this end the research assessed the extent to which current legislation, policies and programmes (and proposed policy shifts) meet the requirements of a rights based approach.

The key components of a rights based approach to housing can be considered as being grouped into three clusters: respecting and protecting the right to adequate housing, promoting the right to adequate housing and fulfilling the right to adequate housing. No government anywhere in the world has, as yet, been able to meet all its obligations in terms of the right to adequate housing. In South Africa, there has been rapid progress in the implementation of the right to adequate housing, and the terrain of debate has shifted from the duties of the state to recognise and protect the right to adequate housing towards the more proactive duties of promoting and fulfilling the right. Questions about political will remain, however. This is based on perceptions that plans formulated by government often fail to put the poor at the centre and instead cater to higher-income constituents and potential investors, and on the attitudes of government representatives and officials to the poor and NGOs who work with the poor. This view is symptomatic of the way that the noble intentions of government policies and programmes can be warped by the realities (or perceived realities) of resource constraints and political considerations.

The key points arising out of an examination of the emerging new policy direction of the Department of Housing through a housing rights lens are:

- The emphases on co-ordination and policy alignment, improving the quality of the end product and urban environment, increasing the delivery rate and on

the People's Housing Process all fit in extremely well with a rights-based approach.

- Using housing rights as an organising principle for housing policies and programmes is not explicitly mentioned.
- The participation of citizens and civil society in housing-related decision making at all levels is not emphasized.

The emphasis on social housing (as currently defined in South Africa) and savings as a mechanism for allocating subsidies do not appear to fit comfortably within a rights-based approach; they are not high priorities in terms of housing rights.

On the whole, South Africa has made great progress in the realisation of the right to adequate housing. The biggest shortcomings are:

- inadequate quantitative progress
- a lack of integrated development (which has in many cases resulted in unsustainable settlements)
- a lack of programmes to deal with specific housing needs and specific vulnerable groups (most of the criticisms of housing policy by courts and the SAHRC have related to the lack of programmes to deal with specific vulnerable groups).

### **2.3.1 Progress on respecting and protecting the right to adequate housing**

While South Africa has ratified a number of relevant international and regional human rights treaties and has included the right to adequate housing in the Constitution, it has not yet ratified the International Covenant on Economic, Social and Cultural Rights, which is recognised as the most important international agreement in respect of housing rights.

The Promotion of Equality and Prevention of Unfair Discrimination Act (2000) gives legislative protection against discrimination. The Draft National Action Plan to Combat Racism in the Housing Sector notes that, over and above existing patterns of inequity, racism and other forms of discrimination (e.g. discrimination against foreigners and people living with HIV/AIDS) also sometimes occur in the allocation of housing resources.

There are three main pieces of legislation which protect the rights of unlawful occupiers and tenants as required by Section 26(3) of the Constitution:

- The Prevention of Illegal Eviction From and Unlawful Occupation of Land Act of 1998
- The Extension of Security of Tenure Act of 1997 (in rural areas and agricultural areas within urban areas)
- The Rental Housing Act of 1999

### **2.3.2 Progress on promoting the right to adequate housing**

The importance of democratic participation has been recognised in housing policy documents. The practice has been uneven, however. The Promotion of Access to Information Act of 2000 grants the right of access to information referred to in Section 32 of the Constitution. Although there is a substantial amount of information available, through pamphlets and on websites, there is a wide perception that the availability of information could be substantially better.

A climate of awareness about rights issues has not yet been created, although there are some promising attempts. Human rights education has been strongly included in the Department of Education's Curriculum 2005.

### **2.3.3 Progress on fulfilling the right to adequate housing**

Rights have not been an explicit organising principle driving State policies. At a national level, the RDP, although not explicitly rights-based, was in part a response to social and political pressures around rights and basic needs. The government's macro-economic strategy (GEAR) has also strongly impacted on government policies.

At the project level, apart from the SIPPs, new housing delivery has generally not occurred in an integrated way. Major national studies evaluating housing projects across the country have found many of the new settlements created by the Housing Subsidy Scheme to be unsustainable in the long term.

The number of households living in shacks in informal settlements and backyards increased from by 27% between 1996 and 2001, which is far greater than the 10% increase in population over the same period. This would not seem to indicate a progressive realisation of the right to adequate housing in quantitative terms.

Qualitatively, there has been better progress. The Department of Housing's Norms and Standards for Permanent Residential Structures (the minimum level of infrastructure for South African housing) is generally higher than suggested international norms (e.g. as reflected in UN-Habitat, 2003). In terms of overcrowding, however, South Africa is performing less well.

The two biggest gaps in policies and programmes are:

- The lack of a national land release/ managed land settlement programme, whereby serviced land in green field projects can be rapidly released for settlement.
- The lack of an informal settlement *in situ* upgrading programme suitable for the needs of the poor (incremental, with flexible tenure options).

South Africa is rare among developing countries in that it has a comprehensive housing subsidy scheme, and the number of housing subsidies issued since 1994 is internationally recognised as a virtually unique achievement. However, the percentage of South Africa's total government expenditure devoted to



housing (currently 1.4%) is significantly less than the international average of about 2% for developing countries.

The People's Housing Process (PHP) explicitly facilitates self-help processes. It was viewed very positively by civil society respondents interviewed for this report, and was seen as having the correct principles and the most potential for addressing the needs of the poor while ensuring they have an active role in developing their housing solutions. Yet there was some concern that the pace of delivery was very slow thus far, and that there had to be a way to keep the community-centred process but still achieve mass delivery. There are also some concerns over the broad interpretations of PHP in some provinces (i.e. "managed PHP") and about attempts to increase norms and standards. Increasing regularisation of the People's Housing Process programme could ultimately make it an unaffordable option for the poor.

The new Emergency Housing Programme will go a long way to meeting the obligation of the State to **people in crisis or desperate situations**. There are extra subsidy amounts available for people with walking or hearing **disabilities**, to enable modifications to their subsidised houses. This does not seem to have been widely publicised, however.

There is as yet no national programme for people with **HIV/AIDS**. The Department of Housing has recommended that there be an additional subsidy for the building of additional rooms and services to support the government's home-based care strategy, and, for where home/community-based care is not a viable alternative, for the Department of Housing to assist the Department of Social Development with shelter requirements.

A relatively large proportion of subsidy beneficiaries for project-linked subsidies are **women**. Although there is no discrimination against women in housing policy, some laws still discriminate against women, impacting on their right to inherit housing.

In the Department of Housing's paper entitled "Submission to Strategic Management: Framework Document of **Child-Headed Households**", it is proposed that prospective homeowners be educated about succession planning, that wills must form a part of subsidy applications, and that municipalities assist child-headed households with providing necessary documentation to the Master of the High Court for the necessary processes to be carried out. Given that there are hundreds of thousands of child-headed households in South Africa, it is doubtful whether the courts or municipalities currently possess the necessary capacity to undertake this. It is also proposed that a special housing programme be investigated for the subsidisation of capital costs to construct additional rooms to accommodate the need for additional space of foster care households.

There is no housing programme for **refugees**. The Black Sash has estimated that there are about 30 000 refugees in South Africa. There is no national housing programme for “**street people**”.

The implementation of housing policy has been problematic, both in terms of lack of resources (both human and financial) and efficiency. The National Department of Housing and some of the provincial housing departments (Western Cape, Northern Cape, North West) have reported that budget allocations are inadequate. Lack of capacity at municipal level is also a major constraint. In terms of complaints procedures, a survey found that only 52% of citizens receiving a housing subsidy in local authority projects were aware that there is a complaints process, and of those who lodged complaints, 36% felt that their complaint was not dealt with appropriately.

The South African Human Rights Commission is not able to effectively monitor human rights on its own, and civil society has had little involvement in the monitoring of socio-economic rights. The Human Rights Commission's monitoring essentially consists of an annual Report on Economic and Social Rights, which relies heavily on information filled in by the National Housing Department and Provincial Housing Departments.

### 3 Redefining the Contemporary Context

South African human settlements are characterised by spatial separation of residential areas according to class and population groups; urban sprawl; disparate levels of service provision; low levels of suburban population density; and the concentration of the poor in relatively high density areas in the urban peripheries and the wealthy in core and intermediate areas. These factors render South African human settlements inequitable, inefficient, unsustainable, and expensive to manage and maintain. They also exacerbate poverty and unemployment. The transformation of these settlement patterns through housing and shelter policies presents the government with formidable challenges. These include persistent low economic growth; substantial capitalisation of production processes in the last four decades; high concentration of wealth and decision-making; the underdeveloped home market; growing unemployment and jobless growth; accelerated casual employment; widening income gaps; deepening poverty; deteriorating living standards; the impacts of HIV/Aids; the persistence of spatially dispersed development; and the limits placed on government to significantly alter the spatial distribution of people and economic opportunities. Collectively, these trends and pressures have significant implications for housing and shelter policies with particular reference to the coping and livelihood strategies of the poor and their associated demand for land and housing, finance, credit, services, infrastructure, social assistance, and security.

It is generally agreed that the new government took over a highly unstable housing finance system, in which banks were reluctant to lend and few low-income households were able to access formal financial services. Consequently, in 1994, the Minister signed a Record of Understanding with the Association of Mortgage Lenders, in which financial institutions agreed to re-enter the housing finance market with a promise of 50,000 new mortgages in the first year. In return, Government agreed to put in a range of stabilisation measures, which included the establishment of dedicated institutions, loan guarantee funds and facilities, citizen education, and moral suasion.

The contribution and participation of the financial sector in the housing programme has to date been very limited, with only two percent of all subsidies allocated and disbursed to date being credit linked. Numerous reasons are cited for the failure of the finance sector to materially contribute to the housing programme related to negative risk assessment; low disposable incomes; non-payment; high and invariant transaction costs; the absence of a secondary market and effective primary market; etc. The reluctance of the formal financial sector to invest significantly in the low cost housing sector is compounded by the so-called withdrawal of large construction groups from the low-income market due mainly to low profit margins, high standards and (perceived) over-regulation. The withdrawal of the private construction firms from this market segment has left a gap in delivery capacity. This includes skills in relation to project management,

financial and administrative expertise as well as construction capacity. Expanding the role of emerging contractors in housing provision is limited by lack of access to markets, employment opportunities, finance, managerial skills, and poor institutional support structures. The government has, however, continued to court the private sector, as evidenced in the upward escalation of subsidy amounts to (in part) offset increases in construction materials; painstaking negotiation of the Financial Sector Charter; and agreements struck at the recent Growth and Development Summit around boosting private sector fixed investment. But the attitude of government towards the private sector is steadily consolidating, as witnessed in the exchanges between the financial sector and government concerning the scope, reach, and compliance measures associated with Community Reinvestment legislation. For many observers, the problem with housing praxis as it relates to finance (and construction) is the emphasis placed on the supply side without adequate attention being paid to demand. In other words, the drafters of the Housing White Paper devoted scant attention to informal finance methods; how poor households afforded to build housing for the past two decades; how they saved; the costs of informal credit; etc.

More recent research on housing finance suggests the need for a broader approach that encompasses the impact of housing finance upon poverty alleviation, especially the potential of programmes to create social capital, engage in capacity building, and encourage low-income households to save. Deepening our knowledge of how poor households use, access, and produce housing finance, and the relationship between finance and livelihood strategies that the poor adopt to meet their housing needs, are the main pillars of future international and national research and policy work.

A new body of shelter policies, which is directly linked to poverty eradication and sustainable human settlement development, is slowly emerging globally. It is characterised by acknowledgement of the heterogeneity of the poor and sensitivity towards the needs and priorities of the most vulnerable; multi-sectoriality at project, policy, and institutional levels; participation, partnership, and devolution; municipalisation (the creation of reliable, well resourced, authoritative and representative institutional structures at local level); and intervention at city scale. The policies aimed at sustainable settlement development and poverty eradication increasingly possess these key characteristics and occur in the context of institutional reform. Significant is the finding that the processes of institutional reform are simultaneously a condition and expression of processes of decentralization and democratisation both within and outside the state. In short, the procedures and conditions for implementing the new emerging approach are not predetermined, but are constantly evolving in response to changing (global, national and local) circumstances, which are, by definition, time and context specific, complex and conflictive. South African housing policy has creatively appropriated and adapted over time this 'international best practice', but the outcomes and outputs have not always been fully in line with original policy intentions. Dwellings tend to be of generally poor

design and quality; spatially marginalized; not conducive to social, economic and environmental sustainability; deficient in essential community facilities and services; and burdensome in terms of the resources of the country and the poor. Collectively, these problems raise profound questions about the contribution of shelter and housing interventions to the growth and development strategy, which encompasses commitments to poverty eradication; urban efficiency; equity; asset creation; income redistribution; and, the progressive realisation of socio-economic rights.

### ***3.1 The changing nature of South African housing and shelter demand***

The department of housing wishes to squarely locate the proposed new housing agenda in an empirically rich analysis and integrated review of the social, economic, demographic, spatial, and environmental trends shaping human settlements, with the intention of achieving improved alignment between policy intentions and outcomes.

#### **3.1.1 Demographic Forces Shaping the Demand for Housing**

From government's point of view, there are two key drivers of the demand for housing – the housing backlog and the increase in the number of households that are eligible for the housing subsidy. Effective demand for housing is measured differently, in terms of the number of, and the increase in the number of, households and what they can afford. Based on the relevant data that can be extracted from the 2001 census and comparing it with the 1996 census, information on population and household growth, the location of this growth, changes in household incomes, changes in housing stock and changes in access to services, informs both approaches.

##### **Population and household growth**

Between 1996 and 2001, the South African population increased by 2.09%. This represents a total increase of just over 4.2 million people. Gauteng has a significantly higher population growth rate, twice the national average. The Western Cape, KwaZulu Natal and Mpumalanga also have growth rates above the national average. The Northern Cape is the only province with a negative growth rate, but there is still an increase in the number of households! Virtually no growth is occurring in the Eastern Cape and the Free State.

The household growth rate is 4.69%, more than double the population growth rate. This divergence is due to the sharp and still unexplained decline in household size. In 1996 the average household size was 4.47. In 2001 it was 4. To illustrate the impact of this change, if the household size had remained constant at the 1996 average, the increase in the number of households would have been 947 595. The actual increase was 2 130 811 households, a difference of 1 183 216 households.

There is no apparent correlation between the decline in household size, the increase in population and the increase in the number of households. It appears that the relationship between these variables depends on the province concerned.

It is presently impossible to provide an overall assessment of what this might mean for the demand for housing and for government allocation of resources. We do not understand the dynamics underlying the structural changes evident in the 2001 census. There are no projections of the increase in the number households that take account of the household size and HIV/Aids, and also that consider the possible impact of making anti-retroviral drugs available.

Population growth is occurring in three main axes:

- around the Cape Metropolitan area, to the north and south;
- along a south-west to north-east axis through the northern parts of the country roughly from Kimberley to Polokwane; and
- a similar axis cutting across northern KwaZulu-Natal: from the border of Mpumalanga (Utrecht, eDumber and uPhongola), through the northern midlands in Enambithi, Umtshezi, Msinga and Mooi River municipalities;

Population growth is either declining or negligible in:

- The central Karoo area of the Northern Cape – the greater Central Karoo is growing below the national average. Five municipalities in the Northern Cape are depopulating.
- A cluster in the northern and Central Free State – this includes the areas of Parys, Kroonstad, Bothaville and Viljoenskroon, which are very high grain-producing areas.
- a small cluster in the North West, extending towards the Northern Cape:
- A belt along the coast and adjacent inland areas of the Eastern Cape.

The City of Johannesburg and Ekurhuleni are the only metropolitan municipalities experiencing high population growth. In part growth pressures on the metropolitan areas are not necessarily directly within them, but in the municipalities bordering them.

**Household incomes:** The number of households with an income of less than R800 per month is declining. This is especially the case in the Eastern Cape. The opposite is true of Gauteng and the Western Cape. However, the number of households with an income below R3 500 is increasing. This is especially the case in the Eastern Cape and Limpopo. Again, the opposite is true of Gauteng and the Western Cape, where there has been a significant decrease in the number of households earning less than R3 500 p.m.

It is hypothesised that the contrary tendencies are due to social grants, in the case of the R800 per month measure, and increasing unemployment, in the case of the R3 5000 measure.

**Housing stock:** In all provinces the growth rate in formal housing exceeds household growth. However, the growth rate of informal housing also exceeds household growth, and by a higher proportion. The biggest increase in informal housing is in Gauteng. Surprisingly, informal backyard shacks have decreased by almost 3%, but the decrease has been marginal in Gauteng. Traditional housing is a significant housing type in only three provinces - the Eastern Cape, KwaZulu-Natal and Limpopo. The Eastern Cape and KwaZulu-Natal saw an increase in this form of housing and Limpopo experienced a strong decline in traditional housing.

**Services:** Measured in terms of net access (the difference between the growth in access to the services and household growth), conditions have improved markedly in the case of electricity and declined slightly in the case of sanitation. Other changes have been marginal.

In the case of electricity, increases focused on the Eastern Cape and parts of the far Northern Cape, North West, KwaZulu-Natal and Limpopo. The whole Western Cape, parts of the Free State and the Northern Cape as well as all the metropolitan areas showed a negative growth in access – backlogs are increasing in these areas.

In the case of water, the biggest improvements were in the Eastern Cape and KwaZulu-Natal. All major urban areas that include both metropolitan areas and major cities show a real decline, which means that backlogs are growing in these areas.

In the case of sanitation, access is worsening throughout the country.

The primary implications for demand arise from the rapid growth in the number of households, the location of the increase in relation to household incomes and the availability and types of housing where the increase is occurring.

In sum, there appears to be a north-south divide, in certain instances excluding the Western Cape, with growth and circumstances improving in the north and declining in the south.

### **3.1.2 Economic Forces Driving the Demand for Housing**

The research identifies as an issue whether a household's housing preferences are enhanced as a result of improving incomes or diminished as a result of declining incomes. International best practice presumes that the former is the case.

Urbanisation in South Africa has proceeded with few economic opportunities for those falling outside sectors that are competitive in the global economy. In 1999 36.9% of the black and coloured population had formal employment, 9.6% were employees in the informal sector, 1% were self-employed in the formal sector, 7% were self-employed in the informal sector, and 45.5% were unemployed. The circumstances that have led to such adverse trends started in the late 1980s, largely due to sanctions, and increased sharply after 1994. In the five years following the introduction of GEAR, 800 000 formal sector jobs were lost, while the economy experienced 'jobless growth'.

The ability of low-income households to express their housing preferences is by going "down market", which by and large means locating in informal settlements. As opposed to the optimistic scenario for international housing best practice, what one is seeing are circumstances where a low-income household's ability to invest in housing is declining. A key role for government policy is to expand these options.

### **3.1.3 Social Forces Shaping the Demand for Housing**

HIV/Aids is the major health/social determinant of the demand for housing. HIV/Aids is reducing the rate of increase in the number of households; reducing the incomes of affected households; reshaping the expression of the demand for housing, most obviously for orphans, and falls "between the cracks" of housing policy.

UNAIDS' projection for South Africa is that in 2001 about 5 000 000 adults and children were living with HIV/Aids. It is estimated that there will be up to two million orphans by the year 2010. The Department of Housing presently does not have a HIV/Aids shelter policy.

HIV/Aids gives rise to specific housing needs as a result of the age at which death occurs, the duration and chronicity of the illness, increasing family expenditure, asset reduction and declining incomes, the gender of the person that dies, the scale of the syndrome, the role of shelter and services in care and prevention, the shelter and services conditions of the family, the characteristics of the illness and stigma.

After priorities such as medical care and food, it is unclear that households with a member who is sick from an Aids-related illness, prioritise shelter. It appears that families afflicted with the circumstances described above will be more concerned with the availability of services, especially of water and sanitation.

There are two sets of issues. One has to do with changes in shelter needs during the period from infection to death, and then to household reconstitution. During the process of changing household needs, what is called for is services that ease the circumstances of affected households. Improved access to water and home-based care are examples. At later stages in the process, specific



group needs emerge, for example, for HIV-positive orphans, for child-headed households, and so on.

What stands out from all these examples is that in the case of HIV/Aids there is no issue that can be viewed as primarily a housing programme. It is apparent that effective programmes involve shared responsibilities with other departments and involve services as simple as food parcels and school uniforms, and also that government will depend on community, faith-based and non-governmental organisations to provide the services.

With regard to effective demand, HIV/Aids accentuates the impact of increasing unemployment and declining household incomes. Together with declining household incomes, HIV/Aids means that a large number of households will be unable to invest in housing or, indeed, even view housing expenditure as a priority.

Due to the instability of households and individuals affected by HIV/Aids, and their inability to afford adequate shelter of some sort and to pay for municipal services, water and sanitation and waste removal in particular, government will have to ensure some form of shelter service, as part of a social safety net.

### ***3.2 Private sector engagement with the housing programme***

The department's intention was to deepen the understanding of the private sector's (finance and construction, in particular) engagement with low cost housing, in order to investigate alternative ways to structure public housing finance and to configure more productive exchanges between the private (formal and household) and public sectors.

Government policy involves a range of enabling measures to encourage greater participation by the private sector in achieving objectives related to ensuring the mass delivery of housing to low-income households on a sustainable and equitable basis.

However, following its implementation, various unintended consequences emerged. Housing settlements were still located on the periphery; there were many complaints of shoddy construction and meagre house sizes; housing finance remained unavailable to the poor; and, beneficiaries sold their homes informally, foregoing the security of their title deeds, for less than the state had invested in their construction. Government has also seen a withdrawal of large developers and major banks from its housing programme, while policy shifts have led to an increasing role for NGOs, CBOs, individuals, and local authorities.

The research finds that the private, NGO and state sectors operate with different mandates, abilities to mobilise resources (particularly financial) and risk strategy.

The private sector requires high levels of regulatory, administrative and political certainty and the ability to be profitable. It concludes that the capital subsidy is increasingly not useful as a supply-side intervention for attracting private sector delivery. Both in respect of project-linked and institutional subsidies the profitability of undertaking investments in low-income housing developments is insufficient to attract formal, private sector firms. The housing subsidy has also had a negative impact on the demand side where potential purchasers of stock in the R 40,000 to R 100,000 range are reluctant to make the investment as these 40 to 60m<sup>2</sup> houses present poor value for money when compared to the 30m<sup>2</sup> “give-away” subsidy houses. This remains the case notwithstanding the introduction of the savings requirement on the so-called give-away subsidised houses.

### **3.2.1 The engagement of housing deliverers (developers and service providers)**

Housing deliverers comprise developers, building and engineering contractors and service providers. Firms performing these different roles do so in a wide variety of arrangements independently or together with state and NGO sectors.

There is a general decline in private sector deliverers’ participation in the housing programme. Large to medium sized corporate developers and contractors have exited the government housing programme mainly as result of declining profit margins, increased unmanageable risks, and a procurement policy that favours emerging (PDI) developers and contractors.

There is a general shift away from large-scale established developers and contractors to medium, small and emerging contractors. This is in response to the current procurement regime as well as push and pull factors resulting in the migration of more mobile formal established contractors into more profitable sub-sectors in South Africa and internationally.

There is a general dissatisfaction with private sector project-linked subsidy delivery within the public sector. Private sector deliverers have been linked to poor quality both in terms of project location, the quality of product, and overall sustainability of these projects. At the same time these projects have been poorly monitored and regulated by the local and provincial governments in respect of location, quality and sustainability. For example no NHBRC quality control and underwriting have been applied to such subsidised projects.

The move from larger formal private sector (both developers and contractors) to smaller more emergent business sectors places a greater reliance on support programmes (finance and management) and monitoring and regulation to ensure that there is capacity in the government sector and to ensure that quality delivery takes place.

The role of professionals in the government housing programme has been effectively limited by the value of the subsidy and the reality that professional fees are paid from the subsidy. Experience from the field (e.g. CMDA) indicates that significant gains in respect of environmental and house design issues can be achieved with limited levels of additional professional input and cost.

### **3.2.2 The engagement of credit providers**

Banks and non-bank housing lenders have different capacities to operate in different segments of the market. Major problems still exist in respect of the sustainability of non-banking credit providers who generally respond better to low-income borrowers. While banks are generally highly sustainable, they are not appropriately structured to originate and service credit products for low-income households. Policy has failed to respond to this bi-polar structure in the low-income housing finance sector.

With the pending Financial Sector Charter interventions, the South African housing credit sector is currently at the threshold of change. At this moment, it is critical for policy makers to understand that the debate is not one about accessibility of housing finance, as it has been framed previously, but rather about the suitability of specific types of housing finance product and institution. In particular key constraints to effective credit provision still remain, such as the dysfunctional nature of secondary housing markets in low-income neighbourhoods and the poor performance of legal processes in protecting lenders' interests in the event of borrower default.

There is considerable evidence that low-income households avoid taking on long-term debt to finance investment in housing, preferring to use their own savings or short term micro credit for such expenditure.

### **3.2.3 The engagement of investors in housing**

While the Housing White Paper anticipated substantial private sector participation in lending activities (via the NHFC) and in institutional housing programmes, in reality the more significant investment has been in privately provided rental stock.

Formal private sector investment in rental stock has, by and large, focused on multi-unit developments in inner city suburbs with an emphasis on rehabilitation and upgrading of existing residential stock, or the creation of additional stock through the conversion of existing commercial or industrial buildings. This process is supported by the depressed value of property in these inner city areas. Such investors indicated that their level of investment is constrained by the following key factors:

- affordability of potential tenants
- inappropriateness of the institutional subsidy
- limited access to bank finance for investors

- risks created by local authority mis-and mal-administration
- legislation and legal processes that are hostile to investor interests

Little to no new rental stock is being built by private sector investors for low-income households as the yields on such investments are unattractive.

Employers provide a significant amount of rental accommodation using their own funds (13% of all rental accommodation). This is generally financed by employers own funds or money borrowed from financial institutions.

Emerging investors are increasingly acquiring stock in the inner city on a “buy-to-let” basis (either small buildings or individual units). This is helping to change the demographic profile of residential property ownership in the inner city areas with the consequential benefits in respect of black economic empowerment and reduced racial stereotyping of landlords and tenants.

Informal investors (household or occupier provided rental) are one of the most significant providers of accommodation in the low-income housing, providing some 1.5 million households nationally with highly affordable accommodation (78% of tenants of informal rental units earn R1,500 and below). However this rental stock is characterised as poor quality and is under-serviced and under-managed by the local authority. Government has to date failed to recognise or respond to this very significant investment sector.

### ***3.3 International shifts in shelter and settlement policy***

Through an elaboration and elucidation of key shifts in international thinking and perspectives, the department's intention was to deepen further the understanding and commitment to address the needs and priorities of the poor in empowering and sustainable formats. The research aimed to contribute to strengthening and augmenting the foundations of a more pro-poor and sustainable development agenda through greater refinement of existing, ongoing, and proposed strategies; and, the introduction and adaptation of innovative measures gleaned from the latest international perspectives.

The research findings caution the department against lifting ‘lessons’ or ‘best practice’ wholesale from other countries, but support the need to keep track of what is happening internationally to strengthen and deepen the understanding of the pressures that are being experienced. The international review presented the main shifts in relation to the following selection of elements of housing delivery:

- Post-occupation support
- Housing construction
- Beneficiary contribution
- Financing
- Tenure arrangements
- Land assembly and development

- Institutional arrangements
- Integrated development
- Planning and participation

### **Post-occupation support**

Insufficient attention is paid to post-occupation support in international thinking on housing. This is an area of thinking that it is critical in South Africa but for which there is not a great deal of guidance available in the international literature. The manner in which the South African social housing programme unfolds may start to provide some useful lessons for post-occupation support, even if on a limited scale at first.

### **Housing construction**

Overall the trend in construction has been towards a holistic approach in terms of the production of sustainable settlements, looking at the longer term, cumulative impacts of housing development. As far as quality is concerned, with a less than generous subsidy, it is very difficult to create a high quality house using the formal methods of delivery. The international literature shows little change in this regard. The trend is still to produce as many houses, at as little cost as possible. Some form of aided self-help housing on the other hand, the 'next best solution', is being accepted, sometimes reluctantly, for instance in Chile and South Africa (the latter through the Peoples Housing Process).

### **Beneficiary contribution**

Internationally, there is strong support for some form of beneficiary contribution. There is however also an acute awareness of the precarious position of the very poor. In such cases, various countries for instance Chile and Columbia have developed systems of identifying and targeting these very poor with subsidies that have no contribution attached

### **Financing**

*Subsidies:* The international trend is towards demand-side subsidies. It was, however, noted that while subsidies are important for low income households, they have very limited utility in addressing segregation, and can even serve to accentuate it. While this has not by any means been mainstreamed, there is increasing recognition of the need for rental subsidies.

*Alternative methods of raising money:* While formal private sector financing has been limited, lessons learnt from micro finance enterprises have increasingly been transferred to housing finance.

*End-user financing:* Through the experience of NGOs in housing, governments are recognizing the need to channel finances directly to end users, often through community-based organisations.

### **Tenure arrangements**

While tenure security is seen as an imperative, there are many, significant shifts in the types and modes of delivering this security. Firstly, there is the move away

from formal delivery systems. New and innovative ways of providing tenure, for instance special zones of social interest in Brazil have been established. Secondly, the terminology of 'security of tenure' has been broadened to encompass more than just leasehold and free hold titles. Thirdly, gender is being incorporated as an important issue to address in the tenure provision process.

### **Land assembly & development**

Thinking around the land assembly and development process in many rapidly expanding cities generally points to the need to reform regulatory frameworks, planning standards, regulations and administrative procedures, to allow for a more flexible approach to zoning. There is increasing recognition of the utility of partnerships between the private sector, NGOs and CBOs, and the public sector in the land acquisition process. Due to the high costs of land, not least because of the speculative forces increasingly prevalent in globalised cities, it is emerging that governments in fact need to commit more funds for the purchase of appropriate land for housing the poor.

### **Institutional arrangements**

The three relevant themes running through the international literature are: 1) increased decentralisation of decision-making to local government; 2) a concomitant growth in support to institutional and governance questions, with a particular focus on building local government capacity; and 3) deeper and more effective forms of international cooperation, particularly on the South-South axis.

### **Integrated development**

Integrated development is the buzz-word most frequently heard in housing circles internationally. Putting it into practice, especially for the purposes of tackling residential segregation remains an enormous challenge. Isolated examples of good practice suggest that it is possible, in both rich and poorer countries, but in all likelihood effective solutions to this challenge need to be found locally.

### **Planning and participation**

Within current international literature on urban planning process the two most frequently cited examples of good practice are the participative budgeting process in Brazil and the South African IDP. The challenge both internationally and for South Africa is to combine the positive elements of these two instruments to guide planners towards an instrument that is able to translate a municipality's priorities into effective and appropriate plans, policies and strategies. Clearly an essential part of this must be a stronger focus on the need to develop new tools for implementing urban plans, such as those advocated by De Souza. Insofar as participation is concerned clearly there is a great deal to learn from the participative budgeting experience of cities such as Porto Alegre, Brazil.

The findings also capture international thinking in relation to four objectives of the Department of Housing:

- Better urban efficiency and equity

- Poverty eradication
- Asset creation and wealth redistribution
- Affirming and deepening citizenship

### **Better urban efficiency and equity**

Urban efficiency and equity require urban areas to function cost effectively, allowing equal access to benefits to all their citizens, without disproportionately burdening some with the costs. International experience has shown that private land markets tend to impact negatively on the efficient development of housing for the poor in that they have often determined that poor households are priced out of well-located areas. Experience has also shown that capital housing subsidies have not been a successful means of income redistribution. This is of particular relevance to South Africa with its legacy of spatial inequality.

### **Poverty eradication**

Internationally housing and shelter provision has been seen as a basis for poverty eradication. Specific trends have been towards the encouragement of home-based work and more rental housing (including the renting of backyard rooms/shacks) etc. The house is increasingly seen as a base for income-generating activities. The importance of this fairly fundamental point needs to be grasped and taken forward by the national housing programme in South Africa, particularly in response to 'backyard shacks'.

### **Asset creation and wealth redistribution**

Encouraging ownership and granting legal title to poor households theoretically means that they can eventually sell their property in order to make capital gains. To this end, many developing countries are involved in offering credit to the poor, providing low income families with subsidies, issuing title deeds to the informal occupiers of land, and generally assimilating more families into the legal and 'formal' economy. However, there is increasing evidence to show that poor households do not get incorporated into a functional property market of any kind. International experience is shifting away from the conventional approach to the 'right to the city' approach, encompassing the concept of social rights to the city, collective land and property ownership, publicly owned land, incremental approaches to the acquisition of rights, informal rentals etc. A sharp about-turn in South Africa's urban land and housing policy is needed if it is to provide beneficiaries with something more valuable economically than simply a house.

### **Affirming and deepening citizenship**

A key challenge facing South African urban policy is still the legacy of apartheid not only in terms of spatial exclusion but also manifested in political and social exclusion, despite a decade of democracy. Realizing Lefebvre's 'right to the city' – in all its dimensions - remains an ongoing priority. This is not only for the important reasons of achieving social and political inclusion, but also for the more immediate imperative of municipal financial solvency. Currently municipalities depend disproportionately on the revenue generated from the municipal rates

paid by home- and business-owners in the traditionally white parts of their cities, primarily because of the difficulties associated with raising such revenue in those parts of the city in which people remain marginalised and alienated. From a municipal finance point of view a deeper sense of citizenship is essential, as it will presumably translate into higher levels of payment for municipal services. The critical point is that the property-based income of a municipality is predicated on land values. The higher the value of the land, the higher the municipality's revenue will be. This links the deepening of citizenship challenge with that of asset creation. Enhancing the potential of a housing beneficiary to use his or her house as an asset for wealth-creation purposes also enhances the municipality's chances of broadening and expanding its revenue base.



## **4 Towards a policy and research agenda: appropriate responses to the new context**

### **4.1 Introduction**

The research tended not to practically define policy issues in detail, although it was more precise about issues for the research agenda. Authors seem instead to have opted for either identifying additional programmes needed to fill specific gaps identified or highlighting policy areas that would require greater investigation. In both cases, lack of specificity lends itself to the generation of lists of new programmes or issues requiring policy attention. In respect of the latter, the research therefore contributes priority issues for policy development, blurring the line between the research and policy agendas. This suggests close co-operation between research and policy development within the department in order to properly formulate a policy agenda.

Read as a whole, many of the research findings beg a set of questions which, although generally not consistently followed through into recommendations and often encouraging the latitude of interpretation, are the beginnings of a normative contribution to the agenda:

- Should the strategy for the policy agenda be the incremental adding on of new programmes for subsidisation?
- Or, do the existing mechanisms need to be re-orientated, even redefined, to accommodate greater flexibility in response to diverse needs?
- Are re-orientation, redefinition, and more flexible use of existing instruments appropriate and sufficient?
- Or, is a more fundamental policy revision required?
- And probably more importantly, is there scope and opportunity for such an approach?

Given the retrospective nature of much of the research, it was beyond its scope to respond to these questions in-depth. However, these are clearly critical issues to engage in framing the policy agenda for the next ten years. To meet a vision of sustainable human settlements, how much difference will it make to add on new programmes for subsidisation in a similar mould? And critically, how can the agenda respond to issues over which the department of housing has no control?

## ***4.2 Issues and priorities for the Research Agenda***

### **4.2.1 Statistics and data verification**

#### **Backlog and effective demand**

The housing backlog emerges as a critical issue for the research agenda, having been identified in several source reports. The recommendation is that the housing backlog should be reconceptualised, requiring that the department engage with the definition of what constitutes 'inadequate housing' and backlog, as well as revisit the definition, and question the usefulness of 'unsatisfactory dwellings'. Another viewpoint is that the notion of backlog is of little value as its calculation produces inconsistent results and a scale of need that surpasses government's ability to meet it. An associated recommendation is that the conception of effective demand should be addressed. Being based on what people want and can afford, the view is advanced that effective demand is an inappropriate concept during periods of extreme hardship, which is especially the case with HIV/Aids and orphans. The recommendation is that the time is coming when perceptions of need should replace a concern with demand.

The research finds that the extensive phenomenon of informal delivery questions the housing backlog statistics, suggesting that a focus on backlog of housing units tends to lead to an inappropriate focus on delivery of new units. An alternative conception - of the range of needs that should be addressed - allows for a much wider set of responses.

The conception of the backlog, that of a Western nuclear family albeit with larger families, is found to be wholly inappropriate in Africa. The consequence is to overstate the need for housing. In addition, the research notes that the intention of the Department to move from supply-driven to demand-led housing calls into question the notion of a "backlog". The "backlog" is determined by criteria emerging from a policy framework and as a result categories such as informal housing, freestanding and in backyards, informal renting in houses and rooms, and those in tents and caravans are all seen as part of the backlog by government. On the other hand, the criterion of a monthly household income of R3 500 or less to qualify for a subsidy can understate the housing backlog – as it assumes that households with a monthly income of R3 800 can better house themselves. Similarly, the number of households with incomes falling below R3 500 per month is affected by the inflation rate. The housing backlog is seen to be arbitrary and fluctuating, with the size of the backlog being, in part, dependent on monetary policy and inflation targets set by the Reserve Bank.

The current approach to the backlog assumes all accommodation that does not meet national norms and standards together with genuinely homeless households, as constituting the backlog. This approach does not recognise the

situation specific opportunities to achieve desirable minimum standards of accommodation, or the fact that such standards could be achieved through incremental investment by both the state and private individual over a period of time.

The potential to build on the investment of households in the rental sector in existing townships or in their own accommodation in informal settlements, can only be recognised if the housing backlog is redefined to recognise the required incremental investment in genuinely upgradeable existing situations to meet certain norms and standards. Such an approach demands more detailed and location specific analysis of sub-standard housing circumstances, and the specific requirements for their upgrading.

### **Demographic projections and housing statistics**

Demographic projections are another area that should feature on the research agenda. One recommendation is to address the lack of credible household projections, in particular projections of the increase in the number households that take account of the household size and HIV/Aids, and also that consider the possible impact of making anti-retroviral drugs available. Neither the demand nor the need for housing can be assessed in the absence of such projections. Adding to it, another proposal is to develop methodologies for the strategic analysis and assessment of demographic and housing related data that is provided by Statistics South Africa, particularly in respect of the census and other large-scale surveys. In addition, work needs to be done in cooperation with Statistics South Africa to reformulate certain questions and definitions used by them in order to increase the value of this data. In particular, the research recommends that trends in respect of informality should be verified, especially the number of households residing in backyard shacks.

Proposals are made for concerted effort in establishing a reliable set of housing statistics that records what money has been spent by which sphere of government on which sort of housing and how many housing opportunities of each type are created annually. In addition, current departmental statistics should be audited and critical variables added to them to help better understand the supply trends that have emerged to date. Further, it has been recommended that supply data should constantly be in the public domain.

### **Backyard shacks**

The research finds it a surprise that the census should reveal a declining incidence of backyard shack rental. It proposes that the validity of these findings should be researched in the immediate term.

## **4.2.2 Monitoring, evaluation and impact assessment**

### **Housing rights**

The recommendation is made to continually follow up the implications of new housing-related court rulings, in order to keep track of possible changes in the State's legal obligations. The point is made that in September 2003 alone, there were two notable housing-related court rulings.

In addition, in order to ensure effective monitoring or progress towards the realisation of the right to housing, it is proposed that the National Department of Housing and provincial housing departments must take steps to ensure that they are able to collect sufficient relevant information. This information must be made readily available to the public (as provided for by the Promotion of Access to Information Act), to facilitate monitoring of the realisation of the right to adequate housing by the South African Human Rights Commission and civil society bodies. The Commission should employ a system of monitoring similar to that used by United Nations treaty bodies. Civil society, especially NGOs, would play an important role in providing information and challenging the inputs made by government departments.

### **Programme and project evaluations**

In order to enhance the understanding of current performance in the housing sector and to learn lessons for future policy and strategy, investing in independent rigorous evaluations of current programmes and significant projects in the low-income housing sector, is advocated as being essential. At present such reviews tend only to occur as a result of donor requirements, and even then, are more often than not inadequately disseminated to the sector at large.

### **Demand side surveys**

The need for a better understanding of housing demand is advanced. To this end a programme to support detailed surveys of households and communities in a manner which ensures that these surveys contribute to a detailed and systemic database on housing demand, has been proposed. Another recommendation is for post-occupancy surveys in areas that have already benefited from housing subsidies.

These proposals need to be weighed up against, and possibly adapted to the view, reported earlier, that concerns with demand should be replaced by perceptions of need.

## **4.2.3 Knowledge generation**

A set of recommendations have been made about filling gaps in our understanding and addressing information vacuums. They cover a range of

thematic issues, as captured below. Informality is nearly unanimously identified as an issue in this regard.

### **Informality**

Research on informality emerges as a priority for the research agenda. In particular proposals are made to investigate the range of informal (including informal rental) living arrangements:

- Describe all the different types of informal and rental types of accommodation
- the reasons for their emergence;
- how they work;
- what their shortcomings are;
- how the poor benefit and survive in these circumstances.

Recommendations for a better understanding of the dynamics of informal settlements and their responsiveness to upgrading interventions are also made.

Research into this growing informal sector phenomenon is ad hoc and uncoordinated. Given the scale of the household rental accommodation provided and its potential as an income generator to contribute to the economic survival of low-income families, a national research programme coordinating effort in this area is indicated.

### **HIV/AIDS**

HIV/AIDS impact research is prioritised as an urgent requirement, especially how it influences housing demand, in order to clarify a suitable housing sector response.

### **Sector wide research**

A case is made for locating the low-income sector in the housing sector as a whole by developing a proper understanding of the dynamics of the primary and secondary housing markets within the context of different income segments and how these segments interact with one another. To this end, the recommendation is for a programme of research to formulate such a sector-wide analysis and to develop models for evaluating alternative strategies and interventions. This work can rely on substantial international research in this field. Informal settlement research is proposed as a component of this programme.

### **Demand-side research**

A call is made for more rigorous understanding of the socio-economic and behavioural dynamics that impact on real demand for housing in the low-income housing sector. Examples are households' willingness to take on debt, prioritisation of housing and the relative preference or priority placed on location, access to amenities and facilities, and quality of accommodation.

### **Emerging developers and contractors**

On the basis of housing delivery's increasing dependence on developers and contractors, a better understanding of the status of this emerging sector is proposed - in respect of its capacity, its potential and the support required to ensure that it meets the requirements of government's housing programme. The research needs to recognise the engagement of these firms with a range of sectors. Consequently it will need to be undertaken in cooperation with other government departments such as Public Works, Water Affairs etc.

### **4.2.4 Pre-policy development investigations**

This set of research agenda issues have been distinguished from the preceding ones on the basis that they are more strategically focused towards policy development. Comparing them, the knowledge generation issues would be likely to be more clearly directed toward policy development once the research has been undertaken, but are not yet at that stage.

### **Informalisation**

One recommendation is to investigate how the Department can support the range of informal (including informal rental) living arrangements and improve them to provide viable stock that can be counted as housing by the Department (rather than backlog). Another is that research into how to manage the process of informalisation is a priority. However, with so much known about how to manage the process, the needed research should centre on translating this knowledge into a South African context, especially on how the subsidy can be effectively used to support informal processes. This proposal, and the proposals for better understanding of informalisation made earlier, should be emphasised as they go far beyond the development and implementation of an informal settlement upgrading programme.

### **HIV/AIDS**

Urgent investigation into the impact of HIV/AIDS on housing demand is proposed in order to develop an effective housing sector response. This issue also features as a knowledge gap, reported earlier. However from a policy development perspective, the research is clear on HIV/AIDS being a priority for a programme response, as well as not being an issue that the department can deal with alone, stressing that it requires an inter-departmental response.

### **Housing rights**

Some specific research recommendations are made for a rights-based approach to housing. Further work is required, from a human rights law perspective, to determine the housing-related legal obligations of the State in terms of the African Charter on Human and People's Rights and the United Nations human rights treaties that South Africa has ratified (i.e. International Convention Relating to the Status of Refugees, International Convention on the Elimination of All

Forms of Racial Discrimination, Convention on the Elimination of All Forms of Discrimination Against Women and the Convention on the Rights of the Child). There should also be a renewed attempt to have the International Covenant on Economic, Social and Cultural Rights ratified by South Africa; this ratification would make the legal duties of the State with regard to the right to adequate housing clearer. Proposed new recommendations on housing rights, such as the Bangkok Guidelines, need to be followed up. Finally, the obligations of non-State role players with regard to housing rights, should be determined.

### **Income generation**

The housing options available to low-income families are increasingly constrained by declining household incomes. The deliberations of the National Housing Forum and the presumptions contained in the Housing White paper were based on optimistic scenarios regarding improving household incomes. This has not proven to be the case and there is little possibility of seeking to implement international best practice housing programmes. The possibility of creating sustainable settlements depends on whether people want to, and can afford to, live in the settlements. Declining household incomes delimits the nature of the settlements that can become sustainable.

Another perspective is that, with increasing poverty in South Africa, it is essential to understand the role that housing plays in supporting local economic development both as it relates to the delivery of housing and also in respect of housing as a factor of production for small, medium and micro enterprises. Current housing policy ignores the income generating potential of low-income housing. The degree to which housing provides an asset for collateralising finance for entrepreneurs to support their business is also essential. Substantial international research has been undertaken in this area by Hernando de Soto and others, and these methodologies should be assessed for their application within the South African context.

Along the same lines, a proposal is made that the housing programme must engage with the widespread phenomenon of income generation outside of formal employment, and ensure that housing delivery supports and actively promotes these mechanisms. This should include tools to improve backyard rental and practices that support home-based industry.

Some additional recommendations in this respect include:

- Implementing an appropriate response to the current problems encountered by the poor in generating their own resources to contribute towards the costs of providing their housing
- Identifying appropriate policies and laws to assist the poor use their houses to better economic effect, to benefit household income generation

- Engaging with the phenomenon of informality in a realistic manner in order to provide effective support to people living in such situations, to increase their household capital and income

### **Housing finance**

A range of proposals related to housing finance are indicated, especially from the international review, although the housing department is cautioned against lifting 'lessons' or 'best practice' wholesale from other countries.

- In the current context of increased pauperisation, investigate operating subsidies to sustain vulnerable households
- Identifying a financial mechanism that enables the state to fulfil its constitutional housing obligations, without creating the long-term developmental and environmental disasters that seem likely to emerge from many current housing projects.
- Internationally, and in relation to similarly resourced countries especially, South Africa's share of GDP spent on housing remains very low. Regardless of the way in which we spend our housing funds, the overall amount of money available for housing remains relatively small. If there is one lesson to take into the next generation of the housing programme it is that sustainable human settlements are unlikely to emerge if the spending on housing remains low.
- Increasingly the international trend is towards demand-led rather than supply side subsidies. The administration of the South African housing programme will have to change fundamentally if it is to really make the shift from supply to demand led subsidies.
- The international thrust towards greater use of micro-finance for housing purposes is one which South Africa is well placed to follow, given the size and nature of the micro-lending industry in the country. South Africa is well placed to pioneer innovative and effective ways of using micro-finance for housing and to concentrate on designing a micro-finance system that meets the needs of this country.
- The move, internationally, towards greater emphasis on end-user financing arrangements – rather than on project financing - is one that is only very slightly reflected in South African practice. If we are to follow this trend it will require substantial reform of the institutional framework within which housing finance is administered, as well as new systems for monitoring and evaluation of housing expenditure. If South Africa is to stick with its emphasis on project-financing, in the face of the international practice to the contrary, then it will be important to develop a solid rationale for such an approach.



### **4.3 Issues and priorities for the Policy Agenda**

#### **4.3.1 Differentiation and expansion: additional housing programmes**

The recommendations for additional housing programmes came from several quarters, including the application of a rights based approach and the private sector engagement perspective. From the housing rights view-point, key additional national housing programmes are required to fulfil the obligations of the State and appropriate programmes need to be developed for improving the adequacy of existing housing stock. The policy implications of the proposal, heavily emphasised across the research, to reconceptualise or redefine the housing backlog, were interpreted differently. One position, relevant to this sub-section, was that redefining the backlog will require a more segmented approach to the government's housing programme (from informal settlement upgrading through to regeneration of declining residential areas, upgrading existing townships and rural housing needs). This position does not suggest dismantling the existing housing subsidy programme, but indicates work alongside it. This may require thinking "outside the box", but might be limited by the current definitions policy mechanisms.

Key additional national housing programmes proposed include:

- A rapid land release/ managed land settlement programme
- A transitional subsidy programme to be used for the provision of accommodation for people living with HIV/AIDS, refugees/asylum seekers and the rehabilitation of homeless people/street people
- A programme for single people (including the provision of affordable rental accommodation consisting of single rooms with access to shared facilities).
- The revival of the individual subsidy programme (for households to access housing outside of projects)

In particular in respect of HIV/AIDS, the point is made that this was not a consideration in 1994 and that, although there is now considerable attention paid to HIV/Aids, it has yet to be provided for in the policies of the Department of Housing. Critical housing needs are emerging as a result of HIV/Aids, especially in the case of orphans. It is clearly a welfare issue and housing should represent a component of the welfare programme. The Department of Housing cannot address the causes of the issue but must help resolve the symptoms.

In addition, programmes are proposed to improve the adequacy of existing housing stock in new housing projects, established townships, "inner city" slums and backyard shacks.

Additional areas of policy support are indicated by the research, although they are not formulated as precisely as new subsidy programmes (and may in fact require a different response – see discussion in next section). These include:

- Supporting informal rental as an existing initiative that contributes to meeting housing demand
- Develop a range of mechanisms to improve tenure security (not only individual title or rental through social housing)
- Develop approaches to promote free basic services to renters/non-rate payers
- Ensure that the proposed medium density housing policy provides a supportive policy environment for formal private sector rental (it could do more in this regard than the institutional subsidy framework)
- If the Prevention of Illegal Eviction From and Unlawful Occupation of Land Act is amended to exclude tenants, alternative instruments for protecting tenants' rights need to be reviewed to see if they are adequate, and new instruments to ensure sufficient protection for tenants need to be developed if necessary.

To support a differentiated approach, such as the one being advocated from various perspectives in the research, the desired roles of the private sector (emerging, informal and corporate), the NGO sector and local government need to be worked out. More precise interventions by national and provincial government in stimulating the desired outcomes should be defined.

While these proposals are suggestive of an “add-on” policy approach, one which attaches more subsidy programmes to the current scheme, some more substantial changes in approach are in fact advanced, sometimes implicitly especially if reconceptualising the backlog is taken to imply making the subsidy work more flexibly and broadening its applicability. The call to engage with informality is a case in point, as is the proposal to support housing processes in existing settlements where delivery has already occurred in one way or another. The demand defined shift is another example, in addition to the backlog point. For example, the point is made that the standardised product delivered through the subsidy mechanism is intrinsically inimical to a demand-led housing policy. Ultimately it may be unnecessary, and very probably unstrategic, to polarise these positions too extremely. However the Department could be assisted in clarifying the scope and nature of the policy agenda if this tension is unpacked.

#### **4.3.2 Re-thinking the scope and nature of the housing programme?**

An example of how the tension works is that the recommendation for an informal settlement upgrading programme is unanimously supported by the research. However, the call to engage with informality requires going beyond an informal settlement upgrading programme into developing ways to support the range of informal (including informal rental) living arrangements. Although the research papers did not develop the proposal to support informality in great detail, it is clearly a priority issue for policy development, which requires going beyond an add-on subsidy policy approach. This example demonstrates the position that the policy agenda needs to allow a strategic re-think to embrace the housing sector

in its entirety, which includes all forms of housing that are being delivered across the cities.

The alternative emphasis present in the research therefore speaks less to adding on new subsidy programmes and is more suggestive of re-thinking the housing policy, or aspects of it. It is linked to an understanding that the implications of reconceptualising the backlog require accommodating the whole housing sector, rather than the current emphasis on the subsidy market exclusively, and making the subsidy more flexible and applicable to other options currently outside of the subsidy scheme.

### **4.3.3 Co-ordination, alignment and integration**

This set of issues emerged as significant from the research, although the desirability of integration was questioned by some and clarity on its meaning proposed by others.

Integration and policy alignment are key components of a rights based approach. The proposal is made that, in order to achieve real integration, a fundamental restructuring of the way that budgets are prioritised and allocated is required, as well as a restructuring of the way that policies and programmes are divided up between departments and between spheres of government. Essentially, a new macro-policy based on socio-economic rights is required as a framework for government policies and programmes and institutional arrangements.

Integration between housing and other sectors is essential (and is already starting to happen). The Department of Housing particularly needs to collaborate with the Department of Social Services on programmes for vulnerable groups, the Department of Land Affairs on rural housing programmes, and the Department of Justice and Constitutional Development on civic education and access to legal assistance for citizens and civil society for accessing rights. The National Development Agency should ensure that it allocates a proportion of its funds for funding civil society organisations involved with rights issues, and the Justice Centres of the Legal Aid Board should prioritise cases in which poor and vulnerable people are attempting to access their human rights.

Additional suggestions for collaboration are made. Declining household incomes among those who qualify for the housing subsidy constrains the housing options available to low-income families. The Department of Housing cannot address this issue alone as shelter provision will not resolve it. Thus the research identifies increasing unemployment and decreasing household income as one specific area of inter-departmental collaboration. Another priority area is HIV/AIDS.

On spatial integration, the international review recognises the potential of IDPs to expedite well-located housing but emphasises that it has to be supported by a range of complementary measures. The evidence suggests that there is

considerable value to be found in looking at the Brazilian experience specifically as we develop our urban planning implementation instruments. Particular focus must be placed on the effects of planning instruments on the land market. Highly praised internationally as it is the IDP is not going to be able to alter the fundamental limits imposed on urban integration efforts by the land market as it operates today.

#### **4.3.4 Capacity building**

Municipal capacity building emerges as a strong theme in the research. The increased emphasis on the local sphere's role in housing delivery in South Africa has to be implemented in the light of the current thinking around institution building and support to governance issues. While our emphasis on local government is appropriate, it is not matched with a complementary programme of support to that sphere of government.

The point is made that, although important, capacity building has its limits. A capacity-building programme will not turn municipal officials into housing developers. Capacity building that is targeted towards strengthening local government's ability to manage and monitor the performance of the private sector is much more likely to contribute towards an effective housing delivery programme. As a result support to municipalities for sustainable housing delivery such as the building project management skills, is advocated.

Capacity building from another perspective is also indicated by the research. In order to ensure a socio-political climate in which housing rights can be effectively realised, it is important to raise awareness amongst officials and other stakeholders in the housing sector (consultants, developers, politicians, communities, citizens) about the implications of the right to adequate housing in terms of duties of the State and broader society. The Department of Housing should collaborate with the South African Human Rights Commission and NGOs in developing appropriate capacity-building programmes with regard to the right to adequate housing.

#### **4.3.5 Access to information and public engagement**

Public engagement and access to information is identified mainly but not exclusively in the rights based approach. Access to information is prioritised in a rights based approach to housing and lack of information is the biggest obstacle to citizens and civil society being able to engage with their rights, especially at a local level. With regard to housing, municipalities should be required to annually release public reports on housing conditions in the municipality and progress made in attempting to deal with housing problems. Information on housing rights and programmes for accessing those rights must be distributed via:

- Pamphlets in the official languages of South Africa to be disseminated through municipal housing advice offices

- Information officers at municipal housing advice offices
- Radio stations
- Community newspapers

Another proposal for access to information is that supply data should constantly be in the public domain. Further, it is proposed that forums with the private sector should be established with a view to the joint assessment of supply, demographic and housing-related data and evaluations to assist in developing a common understanding of the sector, and the interventions required. It will also have the benefit of refining the data capture and analysis process to make it more useable to the various role-players.

Formal structures and processes to facilitate the involvement of civil society and other role players in housing-related decision making at all levels (national, provincial, municipal) need to be developed. As proposed by the South African Human Rights Commission, there should be a regulatory framework to facilitate real participation by citizens and civil society in decision-making at all levels. Some lessons for such structures and processes could possibly be learned from the experiences of the National Consultative Forum on Human Rights (NCFHR).

## **5 Conclusion**

It is the intention of this document to communicate the findings of the five source reports so that the Department of Housing has a stand-alone report to use in the policy and research agenda development process. In addition this report has described key issues and priorities for inclusion into the policy and research agenda (PRA), in order to assist the Department in framing an agenda for the next decade.